# FACTS FOR THE PEOPLE.

## Character and Composition of the Dominion Debt.

### A FEW CONVINCING COMPARISONS.

**What has been Done with the Money Spent—How Deficit Dick Negotiated Loans.**

It is made a charge against the Government that they have unnecessarily and extravagantly increased the public debt, and thus enormously added to the burdens of the people. Here are a few facts on this point:—

At the time of Confederation the Central Government assumed the debts of the provinces which, at that time, entered the confederacy. Each province which has since been created or brought into the Dominion has brought with it or been allowed a fixed sum by way of debt; and certain readjustments of the provincial debts have since taken place, which have added to the debt of the Dominion what otherwise would have been debts of the provinces and what, therefore, is a mere matter of account changing from the provincial to the Dominion ledger, and is

NOT AN INCREASE TO THE BURDENS

of the people generally. Then at the time of Confederation and as a condition of it, the Government were bound to construct the Intercolonial railway, Mr. Brown's famous *dictum* being that Confederation was worth the price of six Intercolonial railways. The Government was also bound, as a compensation to the Upper provinces, to enlarge the canals, as soon as the finances of the Dominion would permit, and as this enlargement, so far as the Welland and Cornwall canals were concerned, was undertaken by the Mackenzie Government, the Liberals cannot complain that it was undertaken too soon. When the Northwest was purchased, the necessity for large expenditure with a view to its development was admitted, and when British Columbia was brought into the Confederation, it was on the condition of the construction of a railway uniting the Pacific ocean with the railway system of Canada, the work to be at once commenced and continued until completion within ten years. All these obligations have been

SANCTIONED BY THE PEOPLE

at several general elections. In the light of these obligations the increase in the public debt is not only easily explained, but is completely justified. The Public Accounts of 1885-6 have not yet been published, but Mr. Blake has made a calculation showing that the net public debt is now $220,000,000. That may be assumed as correct for the purposes of this statement. Here, then, is an analysis of the debt:—

ANALYSIS OF THE DEBT.

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| Net debt as stated by Hon. Mr. Blake | $220,000,000 |
| Deduct provincial debts assumed by the Dominion Government under the Union act, 1867, and subsequent adjustments | 107,000,000 |
| And there remains as strictly Federal debt increase since 1867 | $113,000,000 |

So that the net increase of the public debt connected with the obligations assumed by the people of Canada as a condition of Confederation, is $113,000,000. Now, there has been spent on the Canadian Pacific railway, including the final exchange of money for lands returned, and upon the Intercolonial railway, with its necessary connections and terminal facilities, the sum of $103,000,000. The payments to the Pacific railway were in the exact terms of the contract of 1881, which was sanctioned by the people at the elections of 1882, with the exception of $16,000,000 more in cash, and about 7,000,000 acres less in land has been given as a condition of the completion of the railway five years before the time fixed by the contract. We have thus

THE WHOLE INCREASE ACCOUNTED FOR

except $10,000,000, and that is more than accounted for by the Cartwright deficits, the "shaves" on the Cartwright loans and the purchase money of the Northwest Territories. Here is a statement on that head:—

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| Net debt | $220,000,000 |
| made up as follows:— | |
| Provincial debts assumed by the Dominion | $107,000,000 |
| Moneys expended on railways | 103,000,000 |
| Money for purchase Northwest | 1,500,000 |
| Sir Richard Cartwright's deficits | 4,500,000 |
| Sir Richard Cartwright's losses on loans obtained | 4,800,000 |
| | $220,800,000 |

That leaves all the expenditures on the canals, on the improvements in lighting the lakes and the St. Lawrence, the erection of public buildings in various parts of the Dominion, the subsidies to branch railways, all met without one dollar of increase to the public debt. The extent of this expenditure will appear from the following taken from the public records submitted to Parliament, and not including, therefore, the expenditure of the last year:—

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| Canals | $28,543,378 |
| Light houses and navigation | 8,284,580 |
| Government buildings and miscellaneous public works | 13,147,318 |
| Total | $49,975,276 |

So that there has been expended on these public works, in excess of additions to the public debt, the large sum of fifty millions of dollars.

It is a mistake to treat this debt as if it was a mortgage upon a farm, the principal of which had to be paid. In 1885 some thirty millions of dollars of our debt fell due. It bore 5 per cent. interest. Sir Leonard Tilley went to England and procured its renewal for another thirty years at 4 per cent., so that the debt falling due, instead of being an embarrassment, has resulted in an important reduction of annual expenditure for the country. The measure of the burden of the debt is

THE ANNUAL INTEREST CHARGE.

The net interest per head of the population in 1868 was $1.29. In 1873, the end of the first Conservative term, it was $1.31, an increase of two cents per head. In 1878, the end of the clear Grit term, it had risen to $1.58, an increase of twenty-seven cents per head, in spite of the fact that the Mackenzie Government left no public works completed to mark the era of their administration! And, assuming the net debt at $220,000,000, as Mr. Blake puts it, the interest per head is now $1.63, an increase in eight years of 5 cents per head, with the canal enlargement completed, the Canadian Pacific railway finished and already developing an enormous trade, and large additions in the form of branch lines and increased terminal facilities made to the Intercolonial railway! The simple question which the elector has to put to himself in connection with this increase in the public debt is this: Is the completion of the Canadian Pacific railway, with all the incidental advantages connected with it, worth an additional tax of 5 cents per head of the population of the Dominion? There can be no doubt about the answer that will be given to that question.

AS AN OFFSET TO THIS INCREASE

it may be stated that applying the rates on passengers and freight charged by the railways in 1875, to the traffic now carried, it will be found that the people are saving $12,000,000 a year—which is very much more than the interest upon the gross public debt of Canada—as the result of the enlarged railway facilities and increased competition produced by the policy of the Government. The best proof that the expenditures made by the Government, and which have resulted in the increase of the debt of Canada, have been wise expenditures is shown by the

FINANCIAL STANDING OF THE DOMINION

in the money markets of the world. Sir Richard Cartwright put 4 per cent. loans on the market in 1874 and in 1876, for the aggregate sum of $31,633,333. He realized for them $28,084,770, thus suffering a "shave" of $3,568 563, or 11.28 per cent. Sir Leonard Tilley in 1885 exchanged 5 per cents for 4's, which was equivalent to putting a loan on the market for the sum of $31,356,595, and he realized $30,930,651, a "shave" of $426,944, or 1.36 per cent. Sir Leonard Tilley put a special loan on the market in 1885 for the same amount as Sir Richard Cartwright's loan of 1874, namely, $19,486,666. The Cartwright loan, after paying all charges, only realized within $2,208,329 of par, the discount, therefore, being 11.34 per cent. The Tilley loan realized within $140,443, the discount, after deducting charges, being but seven-tenths of 1 per cent; and to-day Canadian securities in England sell in the open market at 13 per cent. higher than during Sir Richard Cartwright's administration of the finances. But

ONE MORE COMPARISON

may be made. The Conservative party has been in power since Confederation—fifteen years, and the Liberals five. Here is a comparative statement of the increase of the public debt during the periods of the two parties respectively:

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| Increase strictly Federal debt | $113,000,000 |
| Increase Grit period, 1874-78, 5 years | 40,200,000 |
| Increase Liberal-Conservative periods, 1868-73, 1879-86, 15 years | 72,800,000 |
| Average increase per annum, Grit period | 8,000,000 |
| Average increase per annum, Liberal-Conservative | 4,800,000 |

It must be remembered that the apparently rapid increase during the last five years is due to the fact that the construction of the Canadian Pacific railway has been crowded into five years instead of ten, as was provided by the contract. No business man will say that the advantage to Canada of the early construction of the railway does not immeasurably more than compensate for this increase. The large undertakings are now completed, and the next five years, it may fairly be assumed, will witness no further material increase of the public debt.